

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 COME-00 EB-08 TRSE-00 OMB-01 DOTE-00
SP-02 H-01 AID-05 CIAE-00 DODE-00 INR-10 NSAE-00
PA-01 ICA-11 /054 W
-----113983 060516Z /14
R 042048Z AUG 78
FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC 6856

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E.O. 11652: N/A
TAGS: ELTN, EINV, AR
SUBJECT GM TO CLOSE DOWN AUTOMOTIVE MANUFACTURING OPERATIONS
IN ARGENTINA

REF: STATE 194978

1. LOCAL PRESIDENT OF G.M. IN ARGENTINA CALLED ON
AMBASSADOR AUG 4 TO INFORM HIM THAT GM WOULD CLOSE
DOWN ITS AUTOMOTIVE MANUFACTURING OPERATIONS IN
ARGENTINA WITHIN THE NEXT TWO MONTHS. HE SAID THAT
THE COMPANY HAD BEEN LOSING MONEY IN ARGENTINA SINCE
THE LAST QUARTER OF 1977, AND THERE WAS NO PROSPECT
OF MAKING ITS ARGENTINE OPERATIONS PROFITABLE. BEFORE
CLOSING DOWN, GM WILL ATTEMPT TO ENSURE THAT THERE
WILL BE AN ADEQUATE SUPPLY OF SPARE PARTS TO SERVICE
THE 300,000 GM CARS CURRENTLY OPERATING IN ARGENTINA.
APPROXIMATELY 4,000 WORKERS WILL BE PUT OUT OF WORK.
GM SUBCONTRACTORS WILL CONTINUE TO MANUFACTURE
LOCOMOTIVES IN ARGENTINA BUT WILL BE UNABLE TO ABSORB
ANY SIGNIFICANT NUMBER OF THE PERSONNEL FROM THE AUTOMOTIVE
OPERATIONS.

2. COMMENT. MINISTER OF ECONOMY MARTINEZ DE HOZ HAS
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FOR SOME TIME BEEN ADVOCATING THE REDUCTION OF THE
NUMBER OF AUTOMOTIVE COMPANIES MANUFACTURING IN
ARGENTINA BECAUSE THEIR COMBINED CAPACITY GREATLY
EXCEEDS THE DEMAND OF THE LIMITED ARGENTINE MARKET,
RESULTING IN HIGH COST AND INEFFICIENT PRODUCTION.
A SHAKEDOWN WAS THEREFORE NOT TOTALLY UNEXPECTED,
PARTICULARLY IN VIEW OF THE GOA'S PLANS TO OPEN THE

LOCAL AUTOMOTIVE INDUSTRY TO FOREIGN COMPETITION.
GM HAD BEEN STEADILY LOSING ITS COMPETITIVE POSITION
SINCE 1970, WHEN IT PRODUCED 32,800 CARS AND HAD
14.9 PERCENT OF THE MARKET. FOR THE FIRST SIX
MONTHS OF 1978, ITS PRODUCTION TOTALED ONLY 3,850
CARS AND ITS SHARE OF THE MARKET WAS DOWN TO 5.4.
PERCENT -- A SHARE WHICH IS SO LOW THAT IT IS
UNLIKELY TO HELP OTHER REMAINING CAR MANUFACTURERS
THAT MUCH. WE MAY THEREFORE SEE STILL FURTHER
CONSOLIDATION OF THE INDUSTRY. PSYCHOLOGICALLY, THE
PULLOUT OF GM, ONE OF THE STRONGEST US COMPANIES,
COULD ADVERSELY AFFECT BUSINESS CONFIDENCE AND
PARTICULARLY THAT OF FOREIGN COMPANIES INTERESTED
IN INVESTING IN ARGENTINA.
CASTRO

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AUTOMOTIVE INDUSTRY, CLOSURE OF OFFICES, INDUSTRIAL PLANTS, BUSINESS LOSSES
Control Number: n/a
Copy: SINGLE
Draft Date: 04 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BUENOS06073
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780322-0233
Format: TEL
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780894/aaaadbea.tel
Line Count: 77
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d67f1d68-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 194978
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1826840
Secure: OPEN
Status: NATIVE
Subject: GM TO CLOSE DOWN AUTOMOTIVE MANUFACTURING OPERATIONS IN ARGENTINA
TAGS: ELTN, EINV, AR, GENERAL MOTORS
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/d67f1d68-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014